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# HOW WE CAN HAVE AMERICAN SHIPS FOR THE PANAMA CANAL.

BY BERNARD N. BAKER.

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WE have discussed the question of what use is the Panama Canal to our country without American ships.\* We shall now do our best to show how these ships can be acquired upon safe business lines and the advantage to be secured after they have been acquired.

The first consideration is the sentiment which has been created all over this country that the time has come when we must have a merchant marine of our own. The absolute importance of this was demonstrated at the time of the Spanish-American war, when our company, the Atlantic Transport Company, through me individually, transferred seven large steamships from the English to the American flag, because, from President McKinley's own statement to me, it was absolutely impossible for the United States to secure ships; it was impossible to buy them in the United States under the American flag. If Spain had entered objections to the transfer it could not have been made. So important was this and the difficulty so great that the Atlantic Transport Company, Limited, of London, through a special resolution, transferred the ships to me individually, and I assumed responsibility of turning them over to our Government.

The following letter explains itself:

*"April 24th, 1899.*

"MY DEAR SIR,—The Government purchased from you seven ships last year, including the five large twin-screw fin-keel freight ships, for the sum of \$4,000,000. While at the time the price seemed high, yet, upon subsequent investigation both of the ships and their values, I am satisfied that the Government received full value for its money. This has been confirmed, not only by the service of the ships, but by Mr. Cramp, President of the great ship-building concern of Philadelphia, who in-

\* IN THE NORTH AMERICAN REVIEW for November, 1909.

formed me that they could not be duplicated for the amount or near the sum which we paid for them, which confirmed your generous offer, when I had some doubts as to paying too much for them soon after their purchase, in which you offered to return the money and \$100,000 bonus if they could be given back to you. The transaction has therefore been a most satisfactory one to the Department.

"Yours very truly,

(Signed) R. A. ALGER,  
Secretary of War.

"Hon. B. N. BAKER,  
Atlantic Transport Line,  
Baltimore, Md.

*Correct Copy:*  
R. A. ALGER,  
Senate Chamber, Washington,  
March 16th, 1904."

To-day the Cunard Steamship Company, so largely subsidized by the English Government, absolutely prohibits the ownership of any of its stock by other than citizens of Great Britain. The Hamburg Packet Company will not allow any of the higher officers of the company to be citizens of any other country, so jealously do foreign nations guard the protection of their merchant marine, and of such importance is it to them.

The sentiment for the merchant marine is becoming widespread and overwhelming throughout the United States. Hundreds of letters received every day and the scores of columns given to the subject in the newspapers every morning and evening show the intense interest of our people as a whole in this national question. It is not worth while now to go into the really ridiculous condition of our merchant marine. Every one knows the sad story. The question to be considered is its upbuilding, how it can best be done and how the greatest amount of efficiency can be secured with the least expenditure.

The Merchant Marine League of Cleveland, Ohio, has done more to educate public opinion all over the country than any other movement that I have ever known of, and done it entirely from what I believe to be patriotic motives, spending its own money. Whatever is done, great credit should be given to the noble men who have been giving their money and effort to this object, but the time has come to reap the benefits of the public opinion which they have so largely educated. There was never a movement of great usefulness to our country carried forward to success in which sentiment was not the moving force in the beginning. The only thing is how best to reach the result of this work.

I shall undertake to show how I believe, and I would like to

make this matter a record, that within five years our merchant marine can be increased in the oversea traffic from 130,000 tons to fully 500,000 tons, and at little cost in comparison with the great benefits it will bring to our country. To do this in a practical business-like way, and in fairness and justice to all the ports of trade of our Eastern and Gulf and Western coasts, and not in the interest of any one particular section, is the purpose.

The following is the Act of March 3rd, 1891. The underlined words show what changes are recommended:

*"An Act to provide for ocean mail service between the United States and foreign ports and to promote commerce.*

*"Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Postmaster-General is hereby authorized and empowered to enter into contracts for a term not less than five nor more than ten years in duration, with American citizens, for the carrying of mails on American steamships, between ports of the United States and such ports in foreign countries, the Dominion of Canada excepted, as in his judgment will best subserve and promote the postal and commercial interests of the United States, the mail service on such lines to be equitably distributed among the Atlantic, Mexican Gulf and Pacific ports. Said contracts shall be made with the lowest bidder for the performance of said service on each route, and the Postmaster-General shall have the right to reject all bids not in his opinion reasonable for the attaining of the purposes named.*

*"Sec. 2. That before making any contract for carrying ocean mails in accordance with this Act the Postmaster-General shall give public notice by advertising once a week, for three months, in such daily papers as he shall select in each of the cities of Boston, New York, Philadelphia, Baltimore, New Orleans, St. Louis, Charleston, Norfolk, Savannah, Galveston and Mobile, and when the proposed service is to be on the Pacific Ocean, then in San Francisco, Los Angeles, Tacoma and Portland and Seattle. Such notice shall describe the route, the time when such contract will be made, the duration of same, the size of the steamers to be used, the number of trips a year, the times of sailing and the time when the service shall commence, which shall not be more than three years after the contract shall be let. The details of the mode of advertising and letting such contracts shall be conducted in the manner prescribed in chapter eight of title forty-six of the Revised Statutes for the letting of inland mail contracts so far as the same shall be applicable to the ocean mail service.*

*"Sec. 3. That the vessels employed in the mail service under the provisions of this Act shall be American-built steamships, owned and officered by American citizens, in conformity with the existing laws, or so owned and officered and registered according to law, and upon each departure from the United States the following proportion of the crew*

shall be citizens of the United States—to wit: During the first two years of such contract for carrying the mails, one-fourth thereof; during the next three succeeding years, one-third thereof; and during the remaining time of the continuance of such contract at least one-half thereof; and shall be constructed after the latest and most approved types, with all the modern improvements and appliances for ocean steamers. *They shall be divided into four classes. The first class shall be iron or steel screw steamships, capable of maintaining a speed of twenty knots an hour at sea in ordinary weather, and of a gross registered tonnage of not less than eight thousand tons. No vessel except of said first class shall be accepted for said mail service under the provisions of this Act between the United States and Great Britain. The second class shall be iron or steel steamships, capable of maintaining a speed of sixteen knots an hour at sea in ordinary weather, and of a gross registered tonnage of not less than five thousand tons. The third class shall be iron or steel steamships, capable of maintaining a speed of fourteen knots an hour at sea in ordinary weather, and of a gross registered tonnage of not less than two thousand five hundred tons. The fourth class shall be iron or steel or wooden steamships, capable of maintaining a speed of twelve knots an hour at sea in ordinary weather, and of a gross registered tonnage of not less than fifteen hundred tons.* It shall be stipulated in the contract or contracts to be entered into for the said mail service that the said vessels may carry passengers with their baggage in addition to said mails and may do all ordinary business done by steamships.

“Sec. 4. That all steamships of the first, second and third classes employed as above and hereafter built shall be constructed with particular reference to prompt and economical conversion into auxiliary naval cruisers, and according to plans and specifications to be agreed upon by and between the owners and the Secretary of the Navy, and they shall be of sufficient strength and stability to carry and sustain the working and operation of at least four effective rifled cannon of a calibre of not less than six inches, and shall be of the highest rating known to maritime commerce. And all vessels of said three classes heretofore built and so employed shall, before they are accepted for the mail service herein provided for, be thoroughly inspected by a competent naval officer or constructor detailed for that service by the Secretary of the Navy; and such officer shall report in writing to the Secretary of the Navy, who shall transmit said report to the Postmaster-General; and no such vessel not approved by the Secretary of the Navy as suitable for the service required shall be employed by the Postmaster-General as provided for in this Act.

“Sec. 5. *The rate of compensation to be paid for such ocean mail service of the said first-class ships shall not exceed the sum of four dollars a mile, and for the second-class ships two dollars a mile, by the shortest practicable route, for each outward voyage; for the third-class ships shall not exceed one dollar a mile and for the fourth-class ships two-thirds of a dollar a mile for the actual number of miles required*

by the Post-Office Department to be travelled on each outward-bound voyage: *Provided*, That in case of failure from any cause to perform the regular voyages stipulated for in said contracts or any of them, a *pro rata* deduction should be made from compensation on account of such omitted voyage or voyages; and that suitable fines and penalties may be imposed for delays or irregularities in the due performance of service according to the contract to be determined by the Postmaster-General: *Provided further*, That no steamship so employed and so paid for carrying the United States mails shall receive any other bounty or subsidy from the Treasury of the United States.

"Sec. 6. That upon each of said vessels the United States shall be entitled to have transported, free of charge, a mail messenger, whose duty it shall be to receive, sort, take in charge and deliver the mails to and from the United States, and who shall be provided with suitable room for the accommodation of himself and mails.

"Sec. 7. That officers of the United States Navy may volunteer for service on said mail vessels, and when accepted by the contractor or contractors may be assigned to such duty by the Secretary of the Navy whenever in his opinion such assignment can be made without detriment to the service, and while in said employment they shall receive furlough pay from the Government, and such other compensation from contractor or contractors as may be agreed upon by the parties: *Provided*, That they shall only be required to perform such duties as appertain to the merchant service.

"Sec. 8. That said vessels shall take, as cadets or apprentices, one American-born boy under twenty-one years for each one thousand tons gross register, and one for each majority fraction thereof, who shall be educated in the duties of seamanship, rank as petty officers and receive such pay for their services as may be reasonable.

"Sec. 9. That such steamers may be taken and used by the United States as transports or cruisers, upon payment to the owners of the fair actual value of the same at the time of the taking, and if there shall be a disagreement as to the fair actual value of the same at the time of the taking between the United States and the owners, then the same shall be determined by two impartial appraisers, one to be appointed by each of said parties, they at the same time selecting a third, who shall act in said appraisement in case the two shall fail to agree.

"Approved March 3rd, 1891."

Let the Act be amended as follows:

In the enactment clause, that the Postmaster-General is hereby authorized and empowered to enter into contracts for a term of not less than five nor more than twenty years in duration subject to the approval of Congress. These are the only changes that could be suggested in the enabling clause.

Second, the important clause for the extension of twenty years

in place of ten years covers the average life of a steamship. So much more *per annum* would have to be paid for a ten-year contract than for a twenty-year contract. I believe a large amount of money could be saved; or, in other words, any appropriation for these contracts would increase the efficiency of the service and lessen the amount necessary to be paid and cover a longer period of years, the natural life of a ship.

Section 2: There would be no change.

Section 3: After the clause "owned and officered by American citizens," insert the words "and no contract under this provision shall be made with any steamship line, corporation or individual, if the line is or shall be owned or controlled by any railway or railroad company in the United States. If said ownership is proven, said contract shall be null and void." The object of this is to prevent the control of steamship lines by railroad companies in such a way as to prevent the encouragement of competition between corporations and citizens proposing to bid or go into the operation of steamship lines.

Repeal: Leave out of Section 3 from the clause "they shall be divided into four classes" to the end of the clause reading "not less than fifteen hundred tons," and insert "the President shall, with the approval of Congress, appoint a special commission of experts in an advisory capacity to investigate and report the result of the investigation of the demand of each port for the establishment of line or lines under the provision of this Act."

The matter to be considered first is the necessity or advantage of the line proposed, the character, size and dimensions of the ships proposed to be built and all questions appertaining thereto. This is the most important change in this bill.

Any practical steamship man who has ever had experience in the business must know that the conditions existing in ocean lines of travel are such that it would be an impossibility to effectively and economically arrange for one definite rate of compensation. But doing it in this way with business judgment the same amount of appropriation by Congress for the purpose of building up our merchant marine would, at least in my opinion, secure far greater advantages in the proper distribution of the encouragement among the different ports with just and due consideration for each port. The same amount of money would reach much larger efficiency in increasing and developing the

merchant marine. Some lines would need much more assistance than others, and the question of speed would enter very materially into it. These questions could only be determined by taking each proposed route up upon its own merits by intelligent men, competent to reach decisions on such questions, and for this purpose I would suggest that a commission of three be named so as to cover the requirements of the War and Navy Departments, to include at least one naval officer. In this way and in no other way do I see how Congress could best utilize any assistance it gives without undue discrimination among the ports and the routes of travel. The provisions of this Act call for an equitable distribution among the Atlantic and Mexican Gulf and Pacific ports, and consequently would have to be considered upon those lines.

Section 4: In the beginning of Section 4, after "that all steamships," leave out the words "of the first, second and third classes." Leave out in Section 4 in the ninth line the words "of said three classes."

Section 5: Strike out the clause from the words "the rate of compensation" to the end of "on each outward-bound voyage" and insert the following: "The rate of compensation to be paid for such ocean mail service as the President and the Postmaster-General have authorized shall be such a rate as will be necessary to secure the establishment of the lines of steamers of such number and character as they may determine upon between the United States ports and such foreign ports as they have contracted for, but under no circumstances shall the total amount contracted for by the Postmaster-General exceed for the third year after the passage of this amendment \$3,000,000; for the fourth year, \$4,000,000; for the fifth year, \$5,000,000; for the sixth year, \$7,000,000; for the seventh year, \$8,000,000; for the eighth year, \$9,000,000; for the tenth year, \$10,000,000, nor shall this amount of \$10,000,000 ever be exceeded."

This makes a definite amount upon a graduated scale, and in my opinion is all that would be needed within that time to more than increase our tonnage five hundred per cent. Bear in mind that there is not a dollar to be paid under any circumstances until 1913, and then only during the whole of that year \$3,000,000. This is all that is necessary. If Congress passes these amendments at the next session, it would be fully two years before any



corporation or association of business men could build ships of sufficient size and character to add to our merchant marine in an efficient way, and consequently there would be no opportunity to earn any such subsidy. Such is the practical way of accomplishing what I believe to be a vast national benefit to our country. It is most important, first, to secure for both our War and Navy Departments suitable auxiliary cruiser transports and carriers to cover any necessity that might arise, and, second, to develop with all foreign countries the benefits of the trade and increase of commerce certain to follow the carrying of such commerce under our own flag.

I think the question of prohibiting all railroad ownership of such lines is very essential; also the cancellation of the contracts whenever such contracts should be secured by foreign interests.

We have recently seen the great value of what might be called the travelling advertisement under our own flag—the cruise around the world by the American fleet. Thus we did in a big way what the British and German Governments have been doing for many years, making their flags familiar in all parts of the world. The increase of our merchant marine carrying the flag to foreign ports would stimulate American trade in every direction. And it is especially worth while to consider the certain returns that would follow in South America.

Under the plan here outlined, we should enter upon a world policy with absolute fairness to every interest at home, and there could be no criticism of discrimination and favor in respect to any ports or places. All would be given equal consideration, which would be the only safe and sane policy for establishing the new lines. There are only two shipping lines to-day which have ships under the American flag in the oversea trade, the American Line owned by the International Mercantile Marine and the Pacific Mail Steamship Company. There is also a short mail line to Cuba, Jamaica and Venezuela from New York. These lines should have full and just consideration for their present ships. There is one other steamship, the “Minnesota,” in connection with the Great Northern Railway between Seattle and the Orient. The Pacific Mail Steamship Company should not be owned and controlled by the Southern Pacific Railway. The railroad company should dispose of this, or at

least no contract should be made while this line is so controlled. The Government should not own the Panama Steamship Company operated as a commercial line, but should turn it over to some interest.

Much has been done in the way of creating sentimental opinion in favor of this measure, but at the same time I have had few practical suggestions made from a business point of view of how it can be done. The difficulty of finding to-day in our country men thoroughly familiar with oversea traffic conditions that are not at present employed by either England, German or French interests is lamentable. Of course this is due largely to the fact that the oversea traffic is controlled by the foreigners. Our own great business men have not been paying to it the attention that they should. And while they are now awakening to the need of saving the national honor and advancing the national interest by putting the American flag upon the sea the problem comes to them with all the newness of something that they have just taken up.

We constantly hear criticism of the prohibition against allowing any American citizen or corporation to buy ships in another country and transfer them to the American flag. It seems to me that an Act could be passed to meet this objection, but under no circumstances ought foreign-built ships thus transferred be allowed the benefit of any mail contracts or be permitted to engage in our coastwise commerce. I think there will be general agreement with me on this point. For if such advantages were accorded to them the change in the law would close every shipyard in the United States within sixty days except for naval work and repairs.

Many opponents of the building-up of our merchant marine hold that the whole problem could be settled by allowing foreign-built ships to fly the Stars and Stripes. It would be well, I think, to meet their wishes by changing the Act with the restrictions I have named. But at the same time, I venture to say that if such a bill were passed there would never be a foreign ship put under the American flag. A proof of this is found in the fact that within the past twelve months three large steamers have been transferred from the American flag to foreign flags because it did not pay to run them under the American flag.

The real remedy for our present and future needs is the amend-

ment and extension of the ocean-mail service Act. This statement is made at the suggestion of many eminent Americans who have become deeply interested in the problem, and who have requested the writer to prepare a basis for action by the coming Congress. With our investment of five hundred millions in the Panama Canal and with no ships to use it the situation needs immediate attention. Too many fail to see that the Panama Canal means a radical readjustment of the commercial chart. And it would be an incredible indictment of our own good sense to spend a half-billion dollars entirely for the benefit of other nations.

BERNARD N. BAKER.